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SUBJECT: TURKEY'S TELECOM BOARD CHALLENGES - INTEREST IN
LEARNING FROM FCC

REF: A. ANKARA 1209

[1](#)B. 04 ANKARA 6480

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[1](#)1. (SBU) Summary: The Turkish Telecom Regulatory Authority is planning a visit to the FCC as part of its efforts to increase capacity and expertise. While the state company Turk Telekom's privatization and the sector's liberalization slowly proceed, the Telecom Regulatory Authority struggles to maintain its independence and perform its role of regulating the changing market. End Summary.

[1](#)2. (SBU) Reftels reported on Turkey's challenges in improving consumer access, service, and cost for telecom and internet as a key element of improving its investment environment. A fundamental aspect of this challenge is nurturing an independent regulatory authority.

[1](#)3. (SBU) In a meeting March 31 with EconOff and Econ Specialist, Board Member Galip Zerey expressed enthusiasm for a yet-to-be-scheduled expert trip to the FCC Washington. Zerey met Ambassador David Gross at the recent 3GSM Conference at Nice, France. He stated that the specific purpose of the trip would be to gain knowledge on 3rd generation GSM; the more broad purpose would be to gain general best regulatory practices from the FCC. EconOff also encouraged the Turkish visitors to meet with State Department telecom experts. Zerey stated that the board has increased its outreach to EU members' bodies. According to Zerey, the previous Board President's term ended March 29 and the Prime Minister had not yet named a new one. Zerey said that his name was one of two on the short list. Faruk Comert (another regular Embassy contact, also eager to pursue contact with the FCC) is acting President.

[1](#)4. (SBU) Zerey described on-going challenges of regulating the liberalizing market, still dominated by Turk Telekom. Out of 43 licenses issued to open up long-distance operation, only about 20 have signed interconnection agreements with Turk Telekom, and only a few are actually in operation - and not yet profitable, because of lingering conflict over interconnection cost and practices. The Board issued a model agreement to provide guidance and has attempted to respond to numerous complaints by new licensees about unfair practices. There are about 100 internet service provider (ISP) licenses. Turk Telekom has brought suits against a few for allegedly illegally providing Voice Over Internet Protocol service. The Board has implemented new rules requiring Turk Telekom to allow ISP's to resell broad band ADSL service to customers, although to date Turk Telekom has yet to consistently provide such access. There is competition in mobile phones (Turkcell; Telsim- also to be put up for tender; Avea), satellite service (25 licenses), and data transmission (16 licenses). The Board aims to put in place 3rd generation service and regulation.

[1](#)5. (SBU) Zerey expressed optimism that Turk Telekom's imminent privatization would be a positive development for market liberalization. Moreover, he averred that while the tender process was still underway, the board would avoid actions that would be perceived as having a significantly negative impact on the company's value. Zerey emphasized that the Turkish judicial system needed to gain specialized expertise, and ideally to establish specialized courts to competently handle telecom issues. In the meantime, he observed that the courts lacked will or expertise to make judgements against the state company Turk Telekom. He said that there might be a role for the U.S. to offer training or share best practices.

[1](#)6. (SBU) Comment: Officials at the Turkish Telecom Regulatory Authority appear imbued with a cautious optimism in their quest to gain competence and exercise liberalizing regulatory authority in a market dominated by the state company Turk Telekom. They recognize the challenge of their task and are eager to pursue contacts and assistance with the

U.S. FCC. Echoing concerns raised by the Energy Market Regulatory Authority and other independent boards, the Telecom Board is deeply concerned about prospective legislation at the Prime Ministry, which, they fear, would systematically limit their independence by granting greater control to the relevant ministry (the Communication Office at the Transportation Ministry for telecom). In addition, a separate proposed Electronic Communications Law would further threaten the Telecom Board's authority by transferring frequency monitoring and licensing to the Communication Office. Many observers question the AKP majority government's will to relinquish control of key sectors to truly independent and empowered regulatory boards.

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